

CAMERON COUNTY, TEXAS

INTERNATIONAL TOLL BRIDGE SYSTEM

FINANCIAL STATEMENTS AND

INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED

SEPTEMBER 30, 2017



COUNTY AUDITORS OFFICE
1100 MONROE
BROWNSVILLE, TEXAS 78520
(956) 544-0822

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**COUNTY AUDITOR
CAMERON COUNTY, TEXAS
1100 MONROE ST.
P.O. BOX 3846
BROWNSVILLE, TEXAS 78520
(956) 544-0822**

**Martha Galarza, CPA
COUNTY AUDITOR**

March 28, 2018

Hon. County Judge, Eddie Trevino
Hon. Commissioner Pct. 1, Sofia Benavides
Hon. Commissioner Pct. 2, Alex Dominguez
Hon. Commissioner Pct. 3, David Garza
Hon. Commissioner Pct. 4, Gus Ruiz
Cameron County Courthouse
Brownsville, Texas

Honorable County Judge and Commissioners:

The Cameron County International Toll Bridge System Annual Financial Report for the fiscal year ended September 30, 2017 is hereby submitted in compliance with Chapter 114 of Vernon's Texas Annotated Code, Local Government. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosure, rests with the County Auditor, as Chief Finance Officer of the County. To the best of my knowledge, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of Cameron County, including all disclosures necessary to enable the reader to gain an understanding of the Cameron County International Toll Bridge System's financial activities.

The management of the Cameron County International Toll Bridge System is responsible for maintaining an internal control system designed to insure that the assets of the System are protected from loss or misuse and to provide reasonable assurance as to the integrity and reliability of the financial statements. The system of internal control provides for segregation of duties and is documented by written policies and procedures. The Cameron County Auditor's Office also has an internal audit function to review the operations of the system for effective internal control and compliance with statutory requirements.

The Cameron County International Toll Bridge System financial statements have been audited by Carr, Riggs & Ingram, LLC, CPAs and Advisors, who were engaged by the Cameron County Commissioners Court for the purpose of expressing an opinion on those financial statements. County management has made available to the independent auditors direct access to County officers and employees and all of the County's financial records and related data.

Sincerely,



Martha Galarza, CPA
County Auditor



For additional information regarding the
Cameron County International Toll Bridge System

Please contact:

David A. Garcia
Cameron County Administrator
1100 E Monroe
Brownsville, Texas 78521
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INDEPENDENT AUDITORS' REPORT

To the Honorable County Judge and
Commissioners' Court
Cameron County, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the International Toll Bridge System of Cameron County, Texas, an enterprise fund of Cameron County, as of and for the year ended September 30, 2017, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the International Toll Bridge System of Cameron County, Texas, as of September 30, 2017, and the respective changes in net position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages ix – xvii be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the International Toll Bridge System of Cameron County, Texas' basic financial statements. The Letter of Transmittal and Statistical Information is presented for purposes of additional analysis and is not a required part of the basic financial statements

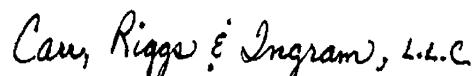
The Letter of Transmittal and Statistical Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly we do not express an opinion or provide any assurance on it.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the International Toll Bridge System and do not purport to, and do not present fairly the financial position of Cameron County, Texas, as of September 30, 2017, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2018, on our consideration of the International Toll Bridge System of Cameron County, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the International Toll Bridge System of Cameron County, Texas' internal control over financial reporting and compliance.



CARR, RIGGS & INGRAM, LLC

Brownsville, Texas

March 28, 2018

CAMERON COUNTY INTERNATIONAL TOLL BRIDGE SYSTEM

Management's Discussion and Analysis

September 30, 2017

This discussion and analysis of the Cameron County International Toll Bridge System's financial performance provides an overview of the financial activities for the fiscal year ended September 30, 2017 and 2016. The MD&A should be read in conjunction with the accompanying basic financial statements and the accompanying notes to those financial statements. The Cameron County International Toll Bridge System is an enterprise fund of Cameron County and is self-sustaining for all of its operations as well as serving as a valuable funding tool for the County. This system is composed of three international bridges concentrated for the most part in the southernmost part of the county. Cameron County purchased Gateway International Toll Bridge on April 14, 1962 and operated it as its only bridge until November 2, 1992, when the Free Trade Bridge at Los Indios became operational. The Veterans International Bridge at Los Tomates commenced operation on April 30, 1999. Two of the bridges, Gateway International Bridge and the Veterans International Bridge at Los Tomates are located in the City of Brownsville, while the Free Trade Bridge at Los Indios is located eight miles south of Harlingen and San Benito. The County owns the north half of each bridge and collects tolls from vehicles going southbound into Mexico. While Gateway International Bridge serves exclusively as a consumer bridge, with both passenger vehicles and pedestrians, the Free Trade Bridge at Los Indios and Veterans International Bridge at Los Tomates are designed for both consumer and commercial traffic. In FY2017, the Cameron County International Toll Bridge System generated \$19,576,693 in revenues, of which \$6,334,111 provided for general operations, \$8,407,995 was transferred to Cameron County's general fund and \$3,390,651 provided aid to other governments per interlocal agreements with municipalities.

OVERVIEW OF THE FINANCIAL STATEMENTS

The International Toll Bridge System's financial statements consists of the statement of net position, statement of revenues, expenses, and changes in net position, and the statement of cash flows. These financial statements are supported by the notes to the financial statements and debt schedules. This overview and analysis is intended to serve as an overview to the International Toll Bridge System financial statements.

Condensed Financial Position Statement

The Bridge's assets, liabilities and net position are presented in the statement of net position. The difference between assets and liabilities is the net position. Increases or decreases to net position may indicate an improvement or deterioration of the Bridge's financial condition.

| | FY2017 | FY2016 |
|--------------------------------------|---------------|---------------|
| Current and other assets | \$ 16,901,573 | \$ 18,007,603 |
| Capital assets (net of depreciation) | 24,639,558 | 25,107,745 |
| Deferred outflow of resources | 1,116,210 | 1,025,834 |
| Total Assets | 42,657,341 | 44,141,182 |
| Current and other liabilities | 5,230,209 | 5,827,703 |
| Long term liabilities | 12,918,872 | 14,625,972 |
| Deferred inflow of resources | 217,097 | 159,738 |
| Total Liabilities | 18,456,178 | 20,613,413 |
| Net position: | | |
| Net investment in capital assets | 15,451,339 | 14,482,232 |
| Restricted | 6,374,109 | 6,753,716 |
| Unrestricted | 2,375,715 | 2,291,821 |
| Total net position | \$ 24,201,163 | \$ 23,527,769 |

Fiscal Year 2017 Analysis

Bridge system net assets exceeded its liabilities by \$24,201,163. Total net position increased by \$673,394 (2.8%) in comparison to FY2016. This increase in net position is due to increases in toll bridge traffic in combination with modest increases in operating expenses and debt principal payments. Although revenue from bridge traffic increased by 6.7% in comparison to FY16, expenses in personnel, operations and depreciation increased by 9.1%.

The Bridge system restricted assets includes \$2,497,503 for capital improvements to the system. Cameron County construction on the Veteran's International Bridge expansion has increased the traffic lanes from four to eight lanes. This international bridge currently operates both a SENTRI lane and a FAST lane thus exhausting the prior 4 lane bridge capacity. Coordinated Infrastructure Funds (CIF) totaling \$6.25 million were provided by Texas Department of Transportation (TxDOT) with the engineering phase reimbursement at 80% assisting in this expansion project. With the completion of this project, commercial traffic is now separated from passenger traffic. Connectivity on the southbound side of Veteran's Bridge is in a highly commercial and retail area of the community. This bridge ties directly into the city's inner and outer loops facilitating airport travel and connectivity to Monterrey highway. The City of Matamoros has funded significant infrastructure improvements thus alleviating pedestrian and vehicular mobility in this area and improving access for border crossing traffic.

The International Toll Bridge System completed an upgrade to the toll collection system at a cost of \$1,445,603 in FY15. This upgrade has enhanced collection functionality and provided much quicker traffic reporting data. Projects are ongoing to replace or install toll canopies at all bridges.

The system's net investment in capital assets (toll bridge and approaches, toll booths and equipment, administration buildings, furniture, fixtures and equipment, and vehicles) is \$15,451,339. Net investment in capital assets have increased in comparison for FY2016 figures of \$14,482,232 due to completion of capital improvement projects.

The Bridge system has other restricted assets of \$3,876,606 for bond debt service, bond debt reserve and general operating reserve.

Unrestricted assets increased from \$2,291,821 to \$2,375,715. This increase in unrestricted assets is due to construction projects that were completed this year and revenue growth from increased crossings.

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Summary of Operations and Changes in Net Position

The statement of revenues, expenses, and changes in net position reflect a comparison for FY2017 and 2016. Changes in revenues and expenses are monitored monthly and compared to budgetary data. Any operating modifications are addressed by the Bridge Director. This table summarizes the operations for FY2017 and 2016.

| | FY 2017 | FY 2016 |
|---|----------------------|----------------------|
| Revenues | | |
| Tolls | \$19,145,753 | \$ 17,941,681 |
| Rental income | 430,200 | 437,351 |
| Gain on sale and miscellaneous | 740 | 2,922 |
| Investment earnings | 87,714 | 46,439 |
| Total Revenues | <u>19,664,407</u> | <u>18,428,393</u> |
| Expenses: | | |
| Personnel services | 4,276,421 | 3,801,128 |
| Operations & maintenance | 563,562 | 560,646 |
| Depreciation | 1,494,128 | 1,422,300 |
| Total expenses | <u>6,334,111</u> | <u>5,784,074</u> |
| Increase (decrease) in net position before transfers | 13,330,296 | 12,644,319 |
| Aid to other governments | (3,390,651) | (3,037,382) |
| Transfers Out | (8,985,432) | (8,677,775) |
| Interest and fiscal fees | (588,369) | (619,921) |
| Increase (decrease) in net assets | 365,844 | 309,241 |
| Net Position - beginning | 23,527,769 | 23,218,528 |
| Prior Period Adjustment | 307,550 | - |
| Total net position - end of year | <u>\$ 24,201,163</u> | <u>\$ 23,527,769</u> |

Total operating revenues were \$19,575,953, an increase of \$1,196,921 over fiscal year 2016. Toll revenue increased 6.7% due to infrastructure improvements and traffic fluctuations in both passenger and commercial traffic. Concessionaire and rental income decreased by 1.64% due to reduced pedestrian traffic.

Operating expenses increased by \$478,209 from FY2016 levels, an increase of 10.9%. This increase in operating expenses is attributable to implementation of GASB 68 which requires new reporting standards for public pension plans and participating employers and general operational increases and personnel costs. Actuarial assumptions for determining the pension liability as of December 31, 2015 were based on the results of an actuarial experience study for the period January 1, 2009 – December 31, 2014, except where required to be different per GASB 68. Recognition of costs per GASB 68 were allocated to International Toll Bridge system based on census data as of the report date. Non-operating cost of depreciation increased by \$71,828 due to asset additions depreciation expense. Changes in net position of \$365,844 were due to the ability to leverage increased operating expenses to the conservative increase in bridge crossings. A prior period adjustment of \$307,550 is due to GASB68 implementation for employer contributions after the measurement period.

Aid to other governments increased by \$353,269 per interlocal agreements; transfers to General Fund increased by \$307,657 and interest and fiscal fees increased by \$31,552.

Notes to the Financial Statements

The notes to the Toll Bridge's financial statements can be found on pages 5 – 15 of this report. These notes provide additional information that is essential to a full understanding of the financial statements.

Capital Assets and Debt Administration

Capital Assets

The Bridge's investment in capital assets, net of accumulated depreciation as of September 30, 2017 and 2016 is as follows:

SUMMARY OF CAPITAL ASSETS, NET

| | FY 2017 | FY 2016 |
|-----------------------------------|-----------------------------|-----------------------------|
| Toll bridges and approaches | \$ 35,250,823 | \$ 33,741,959 |
| Toll booths and equipment | 2,118,400 | 2,118,400 |
| Administration building | 3,730,064 | 3,715,428 |
| Furniture, fixtures and equipment | 1,212,017 | 1,212,017 |
| Vehicles | 411,110 | 389,368 |
| | <u>42,722,414</u> | <u>41,177,172</u> |
| Less accumulated depreciation | <u>(25,272,445)</u> | <u>(23,778,316)</u> |
| Net depreciable assets | 17,449,969 | 17,398,856 |
| Land | 4,037,468 | 4,037,468 |
| Construction work in progress | <u>3,152,121</u> | <u>3,671,421</u> |
| TOTAL CAPITAL ASSETS | <u><u>\$ 24,639,558</u></u> | <u><u>\$ 25,107,745</u></u> |

The Bridge's investment in capital assets consists of toll bridges and approaches, booths and equipment, buildings, furniture, fixtures, equipment, vehicles and land. Increases in capital assets is due to completion of the revenue software upgrade for all bridge locations and canopy improvements which have greatly enhanced pedestrian traffic. Completion of the canopy project at Gateway Bridge was completed in FY17.

Capital Improvements

Cameron County completed expansion of the Veterans Bridge from four lanes to eight lanes in FY2014. The U.S. Department of State issued an amended Presidential Permit for this project and TxDOT provided Coordinated Border Infrastructure funds totaling \$6.25 million. The expansion has provided much needed capacity to the Veterans Bridge at Los Tomates. On the U.S. side, Veteran's Bridge is the connecting point to I-69E. TxDOT has invested over \$35 million in highway improvements to connect the bridge and to provide access. The I-69E corridor is booming with many new retail establishments. I-69E is now considered the heart of Brownsville, the border city to Matamoros. Veteran's Bridge provides direct access to traffic for northbound Mexican traffic and other surrounding communities in Mexico. Retail development along this corridor has expanded exponentially with major department establishments that continue to attract all residents. Growth along this corridor has exploded from SunRise Mall northward and this highly commercial area has much land available for development. Commercial establishments continue to develop at a very rapid pace. Retail and commercial development between Brownsville and Harlingen is expected to continue. Bass Pro Shop in Harlingen serving as a major attraction for Mexican customers; enhancing this development further is a retail shopping area that includes hotels and restaurants – all of this traffic uses the Cameron County International Toll Bridges. All of this development is centrally located off of I-69E in a highly commercial area.

Debt Administration

| Long - Term Debt | | |
|--|--------------|---------------|
| | FY 2017 | FY 2016 |
| Revenue Bonds | \$ 1,675,000 | \$ 2,690,000 |
| Certificates of Obligation | 10,060,276 | 10,865,715 |
| Total long-term debt | 11,735,276 | 13,555,715 |
| Less current portion | (1,845,825) | (1,820,441) |
| Total long-term debt, net of current portion | \$ 9,889,451 | \$ 11,735,274 |

Cameron County International Toll Bridge System bonds have a rating of A+ with S&P, Fitch and A1 with Moody's.

The Bridge's total long-term debt decreased by \$1,820,441 due to FY2017 debt payments.

REPORT ON BRIDGE OPERATIONS

GATEWAY INTERNATIONAL BRIDGE

Gateway International Bridge links the downtown business districts of Brownsville and Matamoros and is primarily used for local traffic, maquiladora employees, tourists and pedestrian traffic. Eighty percent of the pedestrian traffic in Brownsville uses this bridge to go from downtown Brownsville to Matamoros and vice versa. Today due to security issues in Mexico, pedestrian traffic has dropped significantly. Gateway International Bridge is the only bridge in the system that is operational twenty-four hours a day and is 100% owned and operated by Cameron County. Duty Free stores operate close to the bridge attracting pedestrians to this bridge. The West/East University Blvd. parallel to Texas Southmost College and the newly created University of Texas Rio Grande Valley (UTRGV) connects Gateway Bridge with the Southmost area in Brownsville, which is one of the fastest growing areas in the County. This road is an excellent connection between Gateway International Bridge and the Veterans International Bridge at Los Tomates. Texas Department of Transportation (TxDOT), the City of Brownsville, Cameron County and the Cameron County Regional Mobility Authority are now working on expanding the East Loop (SH32) from the Veterans International Bridge at Los Tomates to the Port of Brownsville. The project is in the environmental assessment phase and construction is expected to commence on August 2018. This new corridor will serve as the overweight corridor connecting the Veterans Bridge with the Port of Brownsville and will add significant capacity to passenger vehicular traffic in southeast Brownsville.

FREE TRADE BRIDGE AT LOS INDIOS

The Free Trade Bridge at Los Indios is an international border crossing located eight miles south of Harlingen and San Benito. Cameron County owns and operates the bridge; however the cities of Harlingen and San Benito each receive 25% of the net revenues. The U.S. Border Station and Federal Inspection Facility is owned by the General Services Administration and operated by U.S. Customs, Immigration and Naturalization Service, and U.S. Department of Agriculture Animal and Plant Health Inspection Service, which in March of 2003 all became the Department of Homeland Security. The bridge facilities are located on a 127 acre tract of land and include the bridge structure, border station import and export inspection areas, impound lot, toll plaza, parking areas, duty free stores and parking. Two custom brokers currently serve the area and are housed near the bridge area on the U.S. side. A number of custom brokers are situated on the Mexico side of the Bridge. Increases in vehicular traffic are partially attributed to the Duty Free store operations. Penske Logistics operates a 125,000 and 208,000 square foot facility, employing approximately 225 employees. Penske is a third party logistics company that handles the logistics and distribution for Delphi's operations in Matamoros and Reynosa. Penske has constructed an additional

150,000 square foot warehouse that is fully operational and Panasonic has a 150,000 square foot facility. Panasonic presently operates a 150,000 square foot facility at this site.

The Free Trade Commerce Center is a 755 acre industrial park adjacent to the Free Trade Bridge and is designated as a foreign trade zone, providing the cities of Harlingen and San Benito an excellent marketing tool. Presently one company has activated 10,000 square feet as a Foreign Trade Zone.

Cameron County and the Cities of Harlingen and San Benito entered into an Interlocal Agreement for the construction of a Cold Storage Facility on federal government property to be developed by the Harlingen Economic Development Corporation. This is a shared ownership agreement with Cameron County retaining 50% ownership and the Cities of San Benito and Harlingen retaining 25% each. Construction of this facility is anticipated to be an economic boon to the area and the Free Trade Bridge. This \$500,000 cold storage facility will provide both frozen and refrigerated facilities for perishables as international shippers await the inspection process by U.S. Customs & Border Protection. Free Trade Bridge serves as the terminus of SH509, which is a designated overweight corridor and a direct route to I69E. Construction began in October and is expected to be operational by February 2018.

The State of Tamaulipas has invested substantially in their highway infrastructure contributing directly to the increased traffic. The Autopista providing direct access to Monterrey has now been operational for over ten years. This provides a direct link between the Free Trade Bridge at Los Indios and the highly industrial area of Monterrey and its suburbs. With the road improvements to Highway 99/101 which goes to Ciudad Victoria, the route to Ciudad Victoria is much safer and faster. These road improvements have made the Free Trade Bridge at Los Indios very attractive to tourist traffic headed to the interior of Mexico. Travelers now can potentially save over four hours of travel time from the interior of Mexico to Cameron County. The Free Trade Bridge at Los Indios is significantly contributing to the growth of international trade in the Cameron County area. Because of the above-mentioned reasons the Free Trade Bridge at Los Indios continues to attract both tourist and international commercial traffic.

VETERANS INTERNATIONAL BRIDGE AT LOS TOMATES

Cameron County owns and operates the Veterans International Bridge at Los Tomates; however, the City of Brownsville receives 50% of the net surplus revenues. The Veterans Bridge at Los Tomates operates eighteen hours a day. Traffic and Revenue Analysis projected 3,500 vehicles daily; however, with limited hours of operation, Veterans International Toll Bridge at Los Tomates quickly surpassed traffic projections. Today however, due to on-going security concerns, average daily traffic is down to about 4,000 vehicles including about 700 trucks. This bridge has improved the movement of goods and services on NAFTA highway trade routes. Reducing future time delays at the border will result in economic benefits in Brownsville and across the U.S. Directly across the border in Matamoros, the bridge is located in a highly commercial and retail area of the community connecting directly into the city's inner and outer loops. Completion of capital improvements in this area have reduced travel time to the Matamoros airport to just fifteen minutes from the Veterans International Bridge at Los Tomates. The City of Matamoros has also completed construction of the last phase of the outer loop continuing to the west side of Matamoros and connecting to the Monterrey highway; construction of two overpasses on the Manuel Cavazos Periferico that has shifted more traffic to the Veterans International Bridge at Los Tomates and a 1,500 foot portion of Accion Civica that goes from Avenida Lauro Villar to Roberto Guerra Street thus reducing daily traffic congestion. Additionally overpass construction over Roberto Guerra Street has allowed users to avoid this busy intersection. Three additional overpass improvements are funded and planned along this main route that will allow for a better flow of traffic.

On the U.S. side the Veterans International Bridge at Los Tomates is the southernmost starting point of Interstate 69E (I69E). TxDot has invested over thirty five million dollars in highway improvements to connect to the bridge and to provide access. Cameron County has completed construction on the expansion of the Veterans International Bridge from four lanes to eight lanes in FY2014 thus increasing commercial and tourist capacity. The area along I69E has seen extensive growth with new retail businesses. The Veterans International Bridge at Los Tomates provides a direct access to this retail corridor for people

coming from Matamoros and other surrounding communities in Mexico. Indications are that growth along this corridor will continue at a rapid pace. Along this corridor major retail developments are Super Wal-Mart, Target, Home Depot, Lowe's, Academy and Sam's Club, eating establishments, auto dealerships and financing establishments. This corridor has rapidly become the fastest commercial and retail route for the Brownsville area. Additional retail and commercial developments between Brownsville and Harlingen continue at a rapid pace.

Commercial traffic continues to grow at this bridge. Indications are that with this continued growth, any declines in vehicular traffic will be surpassed by commercial growth.

FUTURE FLOR DE MAYO

Cameron County has acquired the necessary right of way for the future Flor de Mayo bridge. Additionally, the necessary right of way for the General Services Administration was also acquired for this future bridge.

AUTOMATED VEHICLE IDENTIFICATION SYSTEM (AVI)

All County owned bridges offer an automated vehicle identification system (AVI). The customer using the AVI system can use any county owned bridge. This program has been very attractive to our maquiladora customers, both for commercial traffic carrying their goods and products and for their employees that go back and forth every day. We presently have 400 accounts with over 3,000 users. This fiscal year we collected \$3,763,833 in revenues which represents 19.7% of the total toll revenues collected.

TOLL RATES

The following schedule illustrates the change in tolls over the past two years and the tolls that are in effect as of October 1, 2017:

| Classification | Sept. 30, 2016 | Sept. 30, 2017 | Oct. 1, 2017 |
|---------------------|----------------|----------------|--------------|
| | Rate | Rate | Rate |
| Pedestrian | \$ 1.00 | \$ 1.00 | \$ 1.00 |
| Motorcycle | 3.50 | 3.50 | 3.50 |
| Passenger | 3.50 | 3.50 | 3.50 |
| Commercial Vehicles | | | |
| Two Axle | 9.50 | 9.50 | 9.50 |
| Three Axle | 13.50 | 13.50 | 13.50 |
| Four Axle | 15.75 | 15.75 | 15.75 |
| Five Axle | 20.50 | 20.50 | 20.50 |
| Six Axle | 23.50 | 23.50 | 23.50 |

CROSSINGS

As of the end of September 30, 2017 a total of 5,919,345 vehicles and pedestrians crossed into Mexico through the County's International Bridges. Total Crossings increased by 6.4% from Year 2016 totals. Total crossings have increased 19.2% since 2013, however, pedestrian crossings have increased 22.0% since 2013, whereas vehicle crossing increased by 17.9% for that same period.

| Historical Bridge System Crossing Summary | | | | Revenue Summary | | |
|---|-----------|------------|-----------|-----------------|--------------|---------------|
| | Vehicle | Pedestrian | Total | Vehicle | Pedestrian | Total Revenue |
| | Crossings | Crossings | Crossings | Revenue | Revenue | |
| 2013 | 2,816,848 | 1,794,070 | 4,966,219 | \$ 8,450,544 | \$ 1,794,070 | \$ 14,795,318 |
| 2014 | 2,854,303 | 1,844,292 | 5,056,644 | \$ 9,276,485 | \$ 1,844,292 | \$ 15,603,890 |
| 2015 | 2,942,287 | 1,961,924 | 5,273,613 | \$ 9,562,433 | \$ 1,961,924 | \$ 15,900,709 |
| 2016 | 3,104,092 | 2,030,564 | 5,562,510 | \$10,864,322 | \$ 2,030,564 | \$ 17,941,681 |
| 2017 | 3,319,702 | 2,188,050 | 5,919,345 | \$11,618,957 | \$ 2,188,050 | \$ 19,145,752 |

CROSSINGS BY CATEGORY

CAMERON COUNTY INTERNATIONAL BRIDGE SYSTEM

SOUTHBOUND CROSSINGS

| | <u>FY 2017</u> | | <u>FY 2016</u> | |
|---------------------|-----------------------|------|-----------------------|------|
| Autos & Motorcycles | 3,319,702 | 56% | 3,104,092 | 56% |
| Commercial Vehicle | 233,993 | 4% | 224,857 | 4% |
| Bikes | 39,651 | 1% | 68,929 | 1% |
| Buses | 6,797 | 0% | 7,636 | 0% |
| Misc. & Extra Axle | 126,152 | 2% | 126,432 | 2% |
| Pedestrian | 2,188,050 | 37% | 2,030,564 | 37% |
| Total | 5,914,345 | 100% | 5,562,510 | 100% |

Over the past year, passenger vehicle crossings, commercial truck crossings and pedestrian traffic have remained constant with minimal fluctuations.

KEY ISSUES OF CONCERN

Security

This fiscal year the waiting times at the County owned bridges continued to be above normal. The major contributing factor for the minimal southbound crossing growth continues to be security issues and drug cartel violence in Mexico. Current traffic trends indicate the flow of traffic has increased as commercial demands rise; indications are that growth will continue in FY18.

Major developments expected to have a negative impact on the bridge crossings next fiscal year is the continuation of the security issues in Mexico. National security continues to be a number one priority in the U.S. and the Department of Homeland Security's presence is felt at all bridge crossings. Additionally as conflicts continue in the Middle East, we will continue to experience thorough inspections from the Department of Homeland Security, thus increasing the long crossing wait times for tourists and commercial traffic. Due to the drug cartel violence, the Mexican military's presence continues along the U.S./Mexico border.

The impact of the implementation of the Western Hemisphere Travel Initiative due to 9/11 appears to have stabilized as international crossings continue to increase. Travelers have become acclimated to the requirement of needing a passport or a passport card when traveling through international bridges.

Competition

Cameron County's competition for passenger vehicles is provided by the Brownsville & Matamoros (B&M) Bridge Company. During 1997 the B&M Bridge Company expanded their bridge to provide four lanes for vehicles and commercial traffic. Gateway International Bridge and the B&M Bridge stopped handling commercial vehicles since 1999. The B&M Bridge Company lost its 100 year concession they had from the Mexican Government. The B&M Bridge Company now operates on a month to month concession with Mexico. It is highly unlikely they will receive a long term concession from Mexico. Mexico is in the process of selecting a Concessionaire for their half of the bridge operations; thus bringing an end to the B&M Bridge Company collecting tolls on both the U.S. and Mexican sides. Competition for commercial traffic comes from the Pharr-Reynosa International Bridge. Opened on January 1995, this bridge provides another avenue for commercial traffic crossing from Monterrey and the interior of Mexico. The toll road from Monterrey feeds directly into this bridge. The Pharr-Reynosa Bridge has been able to attract custom brokers to invest in facilities in and around the bridge. The Pharr-Reynosa Bridge is a direct competition to the Free Trade Bridge at Los Indios, however, the waiting time for commercial vehicles is much longer at the Pharr-Reynosa Bridge. The Pharr-Reynosa Bridge is approximately 30 miles west of the Free Trade Bridge at Los Indios. The opening of the produce industry and market area to the whole southwest border presents an excellent opportunity for the Free Trade Bridge at Los Indios and the Veterans International Bridge at Los Tomates that can increase commercial traffic. Cameron County has entered into an agreement with the Cities of Harlingen and San Benito to construct a \$500,000 cold storage facility on GSA property at the Free Trade Bridge to attract shippers and carriers moving their product into the United States. This cold storage facility will allow northbound trucks storage of their product pending their final customs inspection to enter the United States. It is anticipated this cold storage facility will increase commercial traffic at this bridge. Harlingen's Economic Development Corporation will manage the construction of this facility. Construction is scheduled to be completed by February 2018. Cameron County and the Cameron County Regional Mobility Authority have completed Border Master Plan with our counterparts in Mexico. The plan identifies projects and opportunities within our bridge system.

The Brownsville Navigation District (BND) has a U.S. Presidential Permit for the construction of a commercial bridge at the Port of Brownsville. As of September 30, 2015 Mexico had not issued any permits on their side, thus, it is not known if the proposed bridge will be constructed. The Donna – Rio Bravo Bridge opened in December 2010. The Anzalduas Bridge in Mission is now in operation handling only passenger vehicle traffic.

CONCLUSION

The bridges in our system offer the most efficient routes for the distribution of products anywhere along the U.S./Mexico border, while also being the most efficient connection to international shippers and optimal distribution logistics. This has allowed Cameron County to be highly successful in promoting trade and in attracting greater flows of international traffic. It is not unusual at other international bridges on the Southwest border for people to take hours to cross into the United States. And just like in other border areas, on the average, people waiting on Cameron County owned bridges will take about forty five minutes to an hour to cross into the United States. The Cameron County International Bridge System has an excellent working relationship with the Department of Homeland Security and continues to look for ways and measures to reduce the waiting time for our international bridge customers. New trade routes between Mazatlan and Matamoros provide excellent opportunities for our bridge system to generate additional commercial traffic. With SpaceX locating in Cameron County it is anticipated that Mexican tourism and traffic will result in more international crossings.

The approval of the deepening of the ship channel at the Port of Brownsville will provide opportunities for increases in commercial traffic. Infrastructure developments planned by Cameron County Regional Mobility Authority will allow for increases in commercial traffic as well.

Cameron County and the State of Tamaulipas have commitments for long term infrastructure planning that will allow our bridge system to keep up with the fast paced growth and the economic base that Brownsville and Matamoros share. Cameron County makes it easy to cross goods and products through its bridges and by having modern accessible highways that connect our bridges to major markets in the United States and Mexico, more companies will start taking advantage of the County's labor force and infrastructure. In closing, it is evident that the future of our Cameron County International Bridge System has substantial growth potential and will continue to experience great success.

Requests for Information

This financial report is designed to provide a general overview of the Cameron County International Toll Bridge System's finances for persons or entities interested in this area. Questions concerning information on this report or finances should be directed to Cameron County Auditor, 1100 E. Monroe, Brownsville, Texas 78520.



CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
STATEMENT OF NET POSITION
Year Ended September 30, 2017

ASSETS

CURRENT ASSETS

| | |
|-----------------------------|-------------------|
| Cash & Cash Equivalents | \$ 7,483,862 |
| Accounts receivable - trade | 127,085 |
| Prepaid expenses | 61,159 |
| Due from other Funds | 3,105,358 |
| TOTAL CURRENT ASSETS | 10,777,464 |

RESTRICTED ASSETS

| | |
|--|------------------|
| Gateway Debt Service Fund: | |
| Cash & cash equivalents | 394,402 |
| Gateway Bond Debt Reserve: | |
| Cash & cash equivalents | 441,916 |
| Gateway Capital Improvements Fund | |
| Cash & cash equivalents | 15,016 |
| Free Trade Bridge Debt Reserve: | |
| Cash\Cash Equivalents | 283,235 |
| Free Trade Bridge Debt Service | |
| Cash\Cash Equivalents | 230,243 |
| Free Trade Bridge Capital Improvements Fund | |
| Cash\Cash Equivalents | 107 |
| Veteran's International Toll Bridge Debt Service Fund: | |
| Cash & cash equivalents | 946,873 |
| Veteran's International Toll Bridge Debt Reserve: | |
| Cash & cash equivalents | 1,329,937 |
| Capital Improvements Fund: | |
| Cash and cash equivalents | 2,482,380 |
| TOTAL RESTRICTED ASSETS | 6,124,109 |

CAPITAL ASSETS

| | |
|-----------------------------------|-------------------|
| Depreciable Assets: | |
| Toll bridges and approaches | 35,250,823 |
| Toll booths and equipment | 2,118,400 |
| Administration building | 3,730,064 |
| Furniture, fixtures and equipment | 1,212,017 |
| Vehicles | 411,110 |
| | 42,722,414 |
| Less: accumulated depreciation | (25,272,445) |
| Net depreciable assets | 17,449,969 |
| Land | 4,037,468 |
| Construction Work in Progress | 3,152,121 |
| TOTAL CAPITAL ASSETS | 24,639,558 |

DEFERRED OUTFLOW OF RESOURCES

| | |
|---|------------------|
| Differences between projected and actual earnings | 1,116,210 |
| TOTAL DEFERRED OUTFLOW OF RESOURCES | 1,116,210 |

| | |
|---------------------|----------------------|
| TOTAL ASSETS | \$ 42,657,341 |
|---------------------|----------------------|

CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
 STATEMENT OF NET POSITION
 Year Ended September 30, 2017

LIABILITIES AND NET POSITION

LIABILITIES

Current Liabilities (payable from Current Assets):

| | |
|---|------------------|
| Accounts payable | \$ 669,029 |
| Wages & Fringes Payable | 130,904 |
| Retainage Payable | 33,000 |
| Accrued Uncompensated Absences | 37,529 |
| Deposits | 202,519 |
| Due to Other Funds | 1,901,483 |
| Due to Other Governments | 407,415 |
| Total Current Liabilities (payable from Current Assets) | <u>3,381,879</u> |

Current Liabilities (payable from Restricted Assets):

| | |
|--|------------------|
| Leasehold deposits | 16,817 |
| Reserve | 75,688 |
| Current maturities of revenue bonds & CO's | 1,845,825 |
| Total Current Liabilities (payable from Restricted Assets) | <u>1,938,330</u> |

Long-term Liabilities:

| | |
|---|-------------------|
| Revenue bonds payable (net of current portion) | 615,000 |
| Certificates of Obligation | 9,274,451 |
| Less: Unamortized discount and issue costs | 49,554 |
| Unfunded Actuarial Accrued Liability | 1,748,751 |
| Pension Liability | 1,231,116 |
| Total Long-term Liabilities | <u>12,918,872</u> |

DEFERRED INFLOW OF RESOURCES

| | |
|--|----------------|
| Differences between expected and actual experience | 217,097 |
| TOTAL DEFERRED INFLOW OF RESOURCES | <u>217,097</u> |

| | |
|-------------------|----------------------|
| TOTAL LIABILITIES | <u>\$ 18,456,178</u> |
|-------------------|----------------------|

NET POSITION

| | |
|----------------------------------|----------------------|
| Net investment in capital assets | \$ 15,451,339 |
| Restricted For: | |
| Capital Improvements | 2,497,503 |
| Revenue Bond Debt Service | 1,571,518 |
| Revenue Bond Debt Reserve | 2,055,088 |
| Revenue Bond Operating Reserve | 250,000 |
| Unrestricted | <u>2,375,715</u> |
| TOTAL NET POSITION | <u>\$ 24,201,163</u> |

The notes to the financial statements are an integral part of this statement.

CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended September 30, 2017

| | |
|---|----------------------|
| <u>OPERATING REVENUES</u> | |
| Tolls | \$ 19,145,753 |
| Rental Income | 430,200 |
| Miscellaneous | 740 |
| TOTAL OPERATING REVENUES | <u>19,576,693</u> |
| <u>OPERATING EXPENSES</u> | |
| Salaries | 2,714,196 |
| Employee benefits | 886,962 |
| Supplies | 101,557 |
| Uniforms | 35,006 |
| Audit and legal | 19,941 |
| Other Pension Costs | 416,795 |
| Retirement Expense | 258,468 |
| Other professional services | 26,689 |
| Repairs and maintenance | 65,503 |
| Travel | 15,789 |
| Utilities | 110,344 |
| Advertising | 5,044 |
| Insurance | 107,974 |
| Contractual | 19,779 |
| Depreciation | 1,494,128 |
| Other | 55,936 |
| TOTAL OPERATING EXPENSES | <u>6,334,111</u> |
| OPERATING INCOME (LOSS) | <u>13,242,582</u> |
| <u>NON-OPERATING REVENUES (EXPENSES)</u> | |
| Intergovernmental agreement | (3,390,651) |
| Interest on investments and receivables | 87,714 |
| Interest and fiscal fees on revenue bonds | (588,369) |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | <u>(3,891,306)</u> |
| INCOME BEFORE TRANSFERS | 9,351,276 |
| Transfer Out - General Fund | (8,407,995) |
| Transfer Out - I & S Fund | <u>(577,437)</u> |
| CHANGE IN NET POSITION | 365,844 |
| Net Position - beginning | 23,527,769 |
| | <u>307,550</u> |
| Net Position - ending | <u>\$ 24,201,163</u> |

The notes to the financial statements are an integral part of this statement.

CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
STATEMENT OF CASH FLOWS
Year Ended September 30, 2017

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows From Operating Activities:

| | |
|---|-------------------|
| Cash received from customers | \$ 19,512,959 |
| Cash received from other operating activities | 430,940 |
| Cash payments for goods and services | (1,328,279) |
| Cash payments to employees | (3,722,856) |
| Net Cash Provided by Operating Activities | <u>14,892,764</u> |

Cash Flows From Non-Capital Financing Activities:

| | |
|--|--------------------|
| Operating transfers out | (8,985,432) |
| Net Cash Used for Non-Capital Financing Activities | <u>(8,985,432)</u> |

Cash Flows From Capital and Related Financing Activities:

| | |
|--|--------------------|
| Intergovernmental agreement | (3,390,651) |
| Payments for capital acquisitions | (1,025,940) |
| Principal payments | (1,823,979) |
| Interest and fiscal agent fees paid | (588,369) |
| Net Cash Used for Capital and Related Financing Activities | <u>(6,828,939)</u> |

Cash Flows From Investing Activities:

| | |
|---|---------------|
| Receipts of interest | 87,714 |
| Net Cash Provided by Investing Activities | <u>87,714</u> |

Net increase (decrease) in cash and cash equivalents (833,893)

Cash and cash equivalents at beginning of year 14,441,864

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 13,607,971

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:

Operating income \$ 13,242,582

Adjustments to Reconcile Operating Income to Net Cash

Provided by Operating Activities:

| | |
|---------------------------------|-----------|
| Depreciation | 1,494,128 |
| Post employment benefit expense | 98,241 |
| Pension Expense | 318,554 |

Changes in Current Assets and Liabilities:

| | |
|---|--------------|
| (Increase) decrease in accounts receivable | (6,831) |
| (Increase) decrease in prepaids and other assets | 17,832 |
| (Increase) decrease in due from other Funds | 261,136 |
| Increase (decrease) in accounts payable | 466,920 |
| Increase (decrease) in wages and fringe payable | 119,618 |
| Increase (decrease) in compensated absences payable | 17,152 |
| Increase (decrease) in retainage payable | 25,735 |
| Increase (decrease) in deposits payable | 1,500 |
| Increase (decrease) in due to other funds | (1,233,137) |
| Increase (decrease) in due to other governments | 59,559 |
| Increase(decrease) in deposits | <u>9,775</u> |

NET CASH PROVIDED BY OPERATING ACTIVITIES \$ 14,892,764

The notes to the financial statements are an integral part of this statement.

CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

Note 1 - Summary of Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

A. Operations

Cameron County, Texas, (County) through its International Toll Bridge System (System), owns and operates three (3) international toll bridges connecting the United States and Mexico. Two international bridges connect Brownsville, Texas with Matamoros, Mexico and one located five miles south of the cities of Harlingen and San Benito, Texas. The Veteran's International Toll Bridge at Los Tomates and the Free-Trade Bridge at Los Indios surplus bridge revenues are distributed according to interlocal agreements between Cameron County and certain municipalities within the county.

B. Basis of Accounting

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Government Accounting Standards Board (GASB). For the year ended September 30, 2003, the International Toll Bridge System of Cameron County, Texas adopted GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments* (GASB 34) as amended by GASB Statement 37 and applied those standards on a retroactive basis. GASB Statement No. 34 established standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposed into the following four net position categories:

- Net investment in capital assets: Capital assets, net of accumulated depreciation and outstanding depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- Restricted:
 - Nonexpendable - - Net assets subject to externally imposed stipulations that the International Toll Bridge System maintains them permanently. For the fiscal year ended 2017, the International Toll Bridge System does not have nonexpendable net assets.
 - Expendable - - Net position whose use by the International Toll Bridge System is subject to externally imposed stipulations that can be fulfilled by actions of the International Toll Bridge System is subject to externally imposed stipulations that can be fulfilled by actions of the International Toll Bridge System pursuant to those stipulations or that expire by the passage of time. Such assets include the International Toll Bridge System's bond debt service reserves on hand.
- Unrestricted: Net position not subject to externally imposed stipulations.

The provisions of GASB Statement No. 34 have been applied to the years presented. The accompanying financial statements have been prepared on the accrual basis. The International Toll Bridge System reports as a Business Type Activity, as defined by GASB Statement No. 34. Business Type Activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

The provisions of GASB Statement No. 45 have been applied as of fiscal year ended September 30, 2009. GASB 45 created accounting standards for Other Post Employment Benefits (OPEB) provided by governmental entities separately from a pension plan. This Statement establishes standards for measurement, recognition and display of OPEB expenditures and related liabilities/assets disclosure.

CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

Note 1 - Summary of Accounting Policies (continued)

C. Capital Assets and Depreciation

Purchased assets are recorded at historical costs. Depreciation is provided over the estimated useful lives, on a straight-line basis.

| <u>ASSETS</u> | <u>YEARS</u> |
|------------------------|--------------|
| Buildings | 30 |
| Furniture and Fixtures | 5 |
| General Equipment | 5 |
| Trucks | 6 |
| Computer Hardware | 5 |
| Infrastructure | 20 |

Depreciation expense for all activities totaled \$1,494,128.

D. Retirement Plan

Mandatory participation in the county retirement system is required by state law for all employees who work in excess of 900 hours per year. County employees contribute seven percent (7%) of their gross pay and the System contributes 9.59%, (10.04% as of January 1, 2018) of the qualified employees' earnings. Retirement plan expense is funded as accrued, and includes amortization of prior service cost over a 20-year period. Retirement plan expense totaled \$258,468 for the year ended September 30, 2017.

E. Cash and Cash Equivalents

For purposes of the statement of cash flows, the System considers cash on hand and deposits at banks as well as all highly liquid investments purchased with maturities of three (3) months or less or with no stated maturity to be cash equivalents.

F. Comparative Data

Comparative total data for the prior year has been presented in selected sections of the accompanying financial statements in order to provide an understanding of changes in the International Toll Bridge System's financial position and operations.

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

Note 1 - Summary of Accounting Policies (continued)

H. Net Position

Net position represents the residual interest in the International Toll Bridge System's assets after liabilities are deducted and consists of three sections: Net investment in capital assets, restricted and unrestricted. The net investment in capital assets is the capital assets, restricted and unrestricted, net of accumulated depreciation, reduced by outstanding debt. Net position is reported as restricted when constraints are imposed by third parties or enabling legislation. The International Toll Bridge System's restricted assets are expendable. All other net position is unrestricted.

I. Subsequent Events

Management has evaluated subsequent events through March 28, 2017, the date the financial statements were available to be issued.

Note 2 - Bond Indenture Requirements

During the period in which the bonds are outstanding, the International Toll Bridge Bond Resolution and Order require the County to create and maintain certain accounts or "funds" to receive the gross revenues derived from the operations of the System. In accordance with the terms of the Bond Resolution, these assets can be used 1) to pay the maintenance and operating expenses of the System, 2) to pay the debt service costs of the System's revenue bonds and 3) to pay for any ordinary maintenance, repairs, or replacements to the System's property. Any remaining revenues may be transferred to other County funds or used for the purchase of the System's outstanding revenue bonds at a price less than par and accrued interest.

Note 3 - Insurance Coverage

The System maintains insurance coverage for fire, extended coverage, malicious mischief, terrorism including use and occupancy and toll equipment coverage. Vehicles are self-insured as to comprehensive collision coverage; however, auto liability coverage is provided through the Texas Association of Counties in amounts above the legal requirements. The County insures both sides of the bridge spans for property damage in amounts significantly less than the historical cost of each bridge. The Gateway International Bridge has \$15,000,000 in coverage for the bridge span property damage and \$6,686,600 for use and occupancy coverage protecting from loss of revenues. The Free Trade Bridge at Los Indios has \$15,000,000 to cover property damage to the bridge spans and \$1,757,810 for use and occupancy coverage protecting from loss of revenues. The Veteran's International Toll Bridge at Los Tomates also has \$15,000,000 to cover property damage to the bridge spans and \$7,944,700 for use and occupancy coverage protecting from loss of revenues. Losses of revenue due to acts of terrorism are covered under the terms of this insurance. In addition, the International Toll Bridge System has acquired flood insurance, fire-windstorm, auto liability, general liability, and workers compensation insurance in amounts depicted in the "Schedule of Insurance Coverage" on page 19.

CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

Note 4 - Long-Term Debt

A. Combination Tax and Revenue Bonds

\$4,005,000; International Toll Bridge System Revenue Refunding Bonds, Series 2007; due in annual principal installments of \$335,000 to \$475,000 through November 1, 2017; plus interest at the rate of 3.76%. \$ 475,000

\$7,950,000; International Toll Bridge System Revenue Bonds, Series 1998; due in annual Principal installments of \$270,000 to \$615,000 through November 1, 2019; plus interest at 4.60%. 1,200,000

\$9,100,000 Certificates of Obligation Series 2008; due in annual Principal payments of \$832,822 to 323,233 thru February 2018; plus interest at the rates ranging from 5.0% to 6.0% 439,713

\$4,494,000 Certificates of Obligation Series 2011; due in annual principal installments of \$345,291 to 28,638 through February 2031; plus interest at the rates ranging from 2.0% to 5.0% 3,727,772

\$6,031,072 Refunding Series 2015; due in principal installments of \$688,075 to \$138,281 thru February 2028; plus interest at rates of 3.00% to 5.00% 5,892,791

TOTAL BONDS PAYABLE 11,735,276

Less: Current Maturities 1,845,825

TOTAL LONG-TERM BONDS PAYABLE \$ 9,889,451

Interest is paid each February 15th, May 1st, August 15th, and November 1st. Principal and interest payments constitute direct obligations of the County payable from a combination of a pledge of net revenues from the operations of the Cameron County International Toll Bridge System and the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the County. The annual requirements to amortize all revenue bonds outstanding as of September 30, 2017 including interest payments of \$2,943,966 are illustrated below:

| <u>YEAR ENDING</u> <u>SEPTEMBER 30,</u> | <u>PRINCIPAL</u> | <u>INTEREST</u> | <u>AMOUNT</u> |
|--|----------------------|---------------------|---------------------|
| 2018 | \$ 1,845,825 | \$ 489,489 | \$ 2,335,314 |
| 2019 | 1,279,336 | 419,830 | 1,699,166 |
| 2020 | 696,000 | 374,325 | 1,070,325 |
| 2021 | 760,273 | 340,638 | 1,100,911 |
| 2022-2025 | 3,441,575 | 962,231 | 4,403,806 |
| 2026-2029 | 3,025,823 | 324,903 | 3,350,726 |
| 2029-2031 | 686,444 | 32,550 | 718,994 |
| <u>TOTAL</u> | <u>\$ 11,735,276</u> | <u>\$ 2,943,966</u> | <u>\$14,679,242</u> |

CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

Note 4 - Long-Term Debt (continued)

B. Advance Refunding

On February 12, 2015 Cameron County issued \$18,100,000 Limited Tax Refunding Bonds, Series 2015 with interest rates ranging from 3.0% to 5.0%. The proceeds were used to refund \$525,000 Unlimited Tax Road Bonds, Series 2005, \$5,645,000 Certificates of Obligation, Series 2007, \$10,490,000 Certificates of Obligation, Series 2008 and \$1,675,000 Unlimited Tax Road Bonds, Series 2008 with interest rates ranging from 4.00% to 6.125%. The 2014 Limited Tax Refunding Bonds carried an initial principal amount of \$18,335,000 but were sold at a net premium of \$2,338,519. Cameron County cash contribution of \$177,529 and incurred issuance cost, insurance premium and underwriting fees of 283,639 the net proceeds were \$20,332,410.

The net proceeds from the issuance of the Limited Tax Refunding Bonds, Series 2015 have been deposited in the Escrow Fund to refund the Refunding Obligations. The accuracy and sufficiency of such deposits to make payments has been confirmed by The Financial Advisor and such amounts will be held in an escrow fund under an Escrow Agreement dated March 1, 2015 between the Issuer and the Escrow Agent. Funds held by the Escrow Agent are irrevocably pledged to the payment of principal and interest on the Refunded Obligations and will be used to purchase certain United States obligations and obligations of agencies or instrumentalities of the United States. The advance refunding by Cameron County has effected the defeasance of the Refunded Obligations in accordance with Law. The Refunded Obligations are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the Federal Securities and funds as provided for in the Escrow Agreement. The purpose of this Refunding was to restructure debt service payments, to obtain net present value savings of \$1,587,781 and for the payment of related Refunding Bond issuance costs.

C. Certificates of Obligation

Cameron County issued \$23,570,000 Certificates of Obligation, Series 2011 dated June 9, 2011 to pay for contractual obligations to be incurred in connection with the design, planning, acquisition, construction, equipping, expansion, and/or renovation of certain public property, specifically being the roof renovations/replacements at Detention Center 1 and 2 and other County buildings, as well as terra cotta improvements at the Dancy Courthouse; air condition units or a chiller system for the Carrizales Rucker Detention Center, County Jail shower replacements; County Sheriff's Office chiller system; improvements to the old County Jail, Lucio Clinic renovation; Judicial Courthouse improvements and County Judicial computer system software; expansion costs for the Veteran's Trade Bridge; planning, traffic and revenue studies, schematic and environmental studies for the future Flor de Mayo Bridge; sidewalk and canopy improvements at the Gateway International Bridge; toll collection system upgrade for the international bridge system; acquisition of land and construction of a County Annex Building in Los Fresnos; acquisition of land and construction of a Community Center in Olmito; street light infrastructure improvements; improvements at the Pedro "Pete" Benavides County Park and Browne Road Social Service Center; constructing road improvements including improvements to Primera Road, San Jose Ranch Road, Old Alice Road, Vermillion Road, the U.S. 77 Parallel Corridor Project; acquisition of the Pacheco Building across the Dancy Courthouse and renovations to said building; improvements to the Laiseca Store Building and the payment of contractual obligations for professional services in connection with such projects (including, but not limited to, architectural and engineering); and to pay costs of issuance of the Certificates. Capital improvement costs for the International Toll Bridge System projects are \$4,494,300. Proceeds of this issuance were received by the International Bridge System for capital expenditures; this debt is an obligation of the International Toll Bridge System and is recorded as a Certificate of Obligation Bond Payable from this enterprise fund.

Cameron County issued \$16,075,000 Certificates of Obligation, Series 2008 dated October 15, 2008 to pay for obligations to be incurred in connection with the design, planning, acquisition, construction, equipping, expansion, and/or renovation of certain public property, specifically being the Carrizalez Rucker Detention Center; district courtroom improvements and judicial computer system software; engineering and construction costs for the Veteran's and Free Trade Bridges'; design, planning, acquisition, construction of right-of-ways for the Flor de Mayo Bridge; renovation of county buildings located across the Dancy County Courthouse; and the payment of contractual obligations for professional services in connection with such projects (including, but not limited to, financial

CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

Note 4 - Long-Term Debt (continued)

C. Certificates of Obligation (continued)

advisory, legal, architectural, and engineering). Capital improvement costs for the International Toll Bridge System are \$9,100,000. Cameron County refunded \$6,031,072 of this debt with the Limited Tax Refunding Bonds, Series 2015. Proceeds of this issuance were received by the International Bridge System for capital expenditures; this debt is an obligation of the International Toll Bridge System and is recorded as a Certificate of Obligation Bond Payable from this enterprise fund.

D. Revenue Refunding

On October 15, 2007, Cameron County authorized the issuance of Cameron County, Texas International Toll Bridge System Revenue Refunding Bonds, Series 2007 to refund the International Toll Bridge System Revenue Improvement Bonds, Series 1997, \$6,125,000. These bonds are payable from and secured by the net revenues of the Toll Bridge System. The 2007 Refunding Bonds were sold at par (\$4,005,000) with an additional Toll Bridge contribution of \$167,508 for bond issuance costs. Present Value savings on this Revenue Refunding 2007 issue were \$206,932.

Note 5 - Commitments

A. Free Trade Bridge at Los Indios

On June 3, 1991, Cameron County executed interlocal agreements with the City of San Benito, Texas and the City of Harlingen, Texas, whereby the County would finance and construct an international bridge. This Free Trade Bridge at Los Indios is located approximately eight miles south of the cities of Harlingen and San Benito.

The County is the legal owner and operator of the bridge on the United States side of the border; however, in event of a revenue shortfall, the Cities have obligated themselves to pay twenty-five percent (25%) each, not to exceed the sum of \$200,000 each annually, of any deficiencies in the annual debt service requirements for the Los Indios International Toll Bridge revenue bonds, any capital expenditures not paid from bond proceeds, and any net losses before transfers excluding depreciation and including or excluding interlocal agreement revenues (or expenses) of the Free Trade International Bridge at Los Indios. Any surplus revenues remaining after payment of the debt service requirements, maintenance and operating costs will be shared between the Cities and the County as per interlocal agreements.

The results of operations for the Free Trade Bridge at Los Indios for the period ending September 30, 2017 produced a \$1,675,586 surplus as defined by the interlocal agreement between the entities and the County. The County's share of the interlocal agreement proceeds is \$837,794. Each participating entity has received a total of \$418,897 for their share of the year's operations as defined under the interlocal agreement.

B. Veteran's International Toll Bridge at Los Tomates

On January 12, 1990, Cameron County executed an interlocal agreement with the City of Brownsville, Texas whereby the County would finance, construct and operate an international toll bridge located in Southeast Brownsville, Texas, approximately two miles east of Gateway International Toll Bridge, herein referred to as "Los Tomates International Bridge", located between Brownsville, Texas and Matamoros, Tamaulipas, Mexico. The Revenue Bonds were issued on parity with any additional International Toll Bridge Bonds, and are outstanding from the revenues of the County's Toll Bridge System. Cameron County, Texas is the legal owner and operator of this

CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

B. Veteran's International Toll Bridge at Los Tomates (continued)

Note 5 – Commitments (continued)

bridge; however, the City of Brownsville has obligated itself to pay fifty percent (50%), not to exceed the sum of \$400,000 annually, of any deficiencies in the annual debt service requirements for the proposed revenue bonds issued to finance the Los Tomates International Bridge. Any surplus revenues remaining after payment of the debt service requirements, maintenance and operation costs, and an amount equal to one hundred forty percent (140%) of the average annual debt service requirements of all outstanding bonds will be shared equally between the City and the County.

The City of Brownsville does not retain an equity interest in the project, which is considered a cooperative arrangement between the governments rather than a joint venture. In accordance with the interlocal agreement between Cameron County and the City of Brownsville, each entity was allocated \$2,552,857 in surplus from operations through September 30, 2017 as defined by their governing interlocal agreement.

The following is a summary of the interlocal transactions between the City of Brownsville and the County:

| <u>Year Ended</u> <u>September 30,</u> | <u>Cameron County</u> | <u>City of</u> <u>Brownsville</u> | <u>Total Surplus</u> <u>(Deficiency)</u> |
|---|-------------------------|--------------------------------------|---|
| 2017 | \$ 2,552,857 | \$ 2,552,857 | \$ 5,116,972 |
| 2016 | \$ 2,411,486 | \$ 2,411,486 | \$ 4,822,972 |
| 2015 | 1,876,662 | 1,876,662 | 3,753,324 |
| 2014 | 1,825,714 | 1,825,714 | 3,651,428 |
| 2013 | 1,288,520 | 1,288,520 | 2,577,040 |
| 2012 | 1,554,861 | 1,554,861 | 3,109,722 |
| 2011 | 1,528,935 | 1,528,935 | 3,057,870 |
| 2010 | 1,468,453 | 1,468,453 | 2,936,906 |
| 2009 | 1,243,111 | 1,243,111 | 2,486,222 |
| 2008 | 2,004,538 | 2,004,538 | 4,009,076 |
| 2007 | 2,716,305 | 2,716,305 | 5,432,610 |
| 2006 | 2,930,652 | 2,930,652 | 5,861,304 |
| Totals | <u>\$23,402,094</u> | <u>\$23,402,094</u> | <u>\$46,804,188</u> |

The Debt Reserve funds set aside to provide for the Veteran's International Toll Bridge at Los Tomates (VITB) is funded at 140% of the highest annual debt service level. Unless additional debt is incurred, further allocation of bridge proceeds to fund the VITB Debt Reserve is unnecessary.

Note 6 - Accrued Compensated Absences

The Cameron County Personnel Policy provides employees with vacation leave and nonvesting accumulating rights to sick pay benefits. The policy requires all employees to take vacation time prior to the fiscal year-end, however it allows a vacation carryover period of three months. Vacation Pay is recognized as a part of salary compensation. Salary and wages earned, yet unpaid is recognized as accrued compensation time. Sick leave does not vest and unused balances are not paid at the time of employee termination, thus an accrual for this is not made. The Bridge System's employees compensated liabilities at September 30, 2017 were \$37,529.

Note 7 – Deposits and Investments
Custodial Credit Risk - Deposits

International Toll Bridge System's deposits at year end were covered either by Federal depository insurance or collateral held by the Cameron County Treasurer in the System's name. Cameron County adopted an investment policy in January 1997, that reinforces the County's investment practices that remain in compliance with V.T.C.A., Title 10, Government Code, Section 2256.

CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

Note 7 – Deposits and Investments (continued)

Concentration Risk:

Cameron County has investments with Lone Star Investment Pool, managed by First Public, LLC., the State of Texas investment pool available to governmental entities. Lone Star is neither a registered investment pool with the SEC nor backed by pledged collateral, but the underlying investments are AAA-rated no-load money market mutual funds, government agency securities and repurchase agreements collateralized by U.S. government securities, allowed under the Public Funds Investment Act as described by V.T.C.A., Title 10, Government Code, Section 2256. All Lone Star investments have earned Standard & Poor's highest rating – AAA – which meets the standards set by the Public Funds Investment Act. Investments are stated at cost which approximates market value. Lone Star's portfolio has low market risk due to restrictions on weighted average maturity and maximum maturity of any one investment. State Street Bank and Trust serves as custodian and valuation services and settles trades for Lone Star, securing and valuing its assets daily. Lone Star's investments maintain weighted average maturity of the portfolio at sixty days or less, with no security exceeding thirteen months in maturity. Lone Star's investment portfolio is required to maintain a stable \$1.00 net asset value.

As of September 30, 2017 the International Bridge System's carrying amount of deposits and investments was \$13,607,971 and the bank balance was \$13,469,442.

| | |
|----------------------------------|----------------------------|
| <u>Current Assets:</u> | <u>Fair Value</u> |
| Cash and cash equivalents | \$7,233,862 |
| <u>Restricted Assets:</u> | |
| Revenue Bond Debt Service Fund | |
| Cash and cash equivalents | 1,571,518 |
| Revenue Bond Debt Reserve Fund | |
| Cash and cash equivalents | 2,055,088 |
| Capital Improvements Fund | |
| Cash and cash equivalents | 2,497,503 |
| Operating Reserve Fund | |
| Cash and cash equivalents | <u>250,000</u> |
| TOTAL | <u>\$13,607,971</u> |

Note 8 – Capital Assets

Capital assets consisted of the following at September 30, 2017:

| | <u>Beginning</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending</u> |
|-----------------------------------|-----------------------------|--------------------------|-----------------------------|-----------------------------|
| Assets being depreciated | | | | |
| Toll bridges and approaches | \$ 33,741,959 | \$ 1,508,864 | \$ - | \$ 35,250,823 |
| Toll booths and equipment | 2,118,400 | - | - | 2,118,400 |
| Administration building | 3,715,429 | 14,635 | - | 3,730,064 |
| Furniture, fixtures and equipment | 1,212,017 | - | - | 1,212,017 |
| Vehicles | 389,368 | 21,742 | - | 411,110 |
| Assets not being depreciated | | | | |
| Land | 4,037,468 | - | - | 4,037,468 |
| Construction Work in Progress | 3,671,421 | 946,633 | (1,465,933) | 3,152,121 |
| Less: accumulated depreciation | <u>(23,778,317)</u> | <u>(1,494,128)</u> | | <u>(25,272,445)</u> |
| TOTAL CAPITAL ASSETS | <u>\$ 25,107,745</u> | <u>\$ 997,746</u> | <u>\$(1,465,933)</u> | <u>\$ 24,639,558</u> |

Depreciation expense for all activities totaled \$1,494,128.

CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

Note 9 – Net Pension Liability

Governmental Accounting Standards Board issued Statement No. 68 which are new reporting standards for public pension plans and participating employers which address specifics of reporting public pension plan obligations for employers. Net pension liability (NPL) for Cameron County was determined on an actuarial valuation as of the valuation date. The International Toll Bridge System recognized pension expense costs of \$318,554 as a result of this implementation.

Note 10 – Other Post Employment Benefits

Cameron County implemented the requirements of Statement No. 45 during fiscal year 2008; the plan provisions allow members to retire upon attaining age 60 with 8 or more years of service or when the sum of their age and years of service equals 75 or more. Dependents of retirees who are not eligible for Medicare are also eligible for medical insurance coverage while retiree is alive. Effective 10/1/07, retirees are not eligible for medical benefits after age 65. Participants under disability are eligible for continued medical coverage under COBRA but must pay the full premium. Cameron County does not offer dental, vision, hearing or life insurance benefits to retirees. Local Government Code Section 157.101 assigns the authority to establish and amend benefit provisions to Commissioner's Court. Monthly medical contributions required by retirees are as follows:

| | <u>Retiree</u> | <u>Retiree & Spouse</u> | <u>Retiree & 1 Child</u> | <u>Retiree & Children</u> | <u>Retiree & Family</u> |
|------------|----------------|-----------------------------|------------------------------|-------------------------------|-----------------------------|
| Medical/Tx | \$ 250.78 | \$575.98 | \$500.98 | \$532.23 | \$657.23 |

Membership in the plan at 10/1/13, the date of the latest actuarial valuation, consists of the following:

| | |
|--|---------------|
| Active Members: | 1,710 members |
| Retirees and beneficiaries receiving benefits: | 50 members |

For 2017 the Annual OPEB costs (expense) for the post employment healthcare plan was \$1,637,357. The County's annual OPEB cost, the % of annual OPEB cost contributed to the plan, and the net OPEB obligation for the prior 3 years is listed in the following table:

| * | <u>Fiscal Year</u> <u>Ended</u> | <u>Annual OPEB</u> <u>Cost</u> | <u>% of Annual</u> <u>OPEB Cost Contributed</u> | <u>Net OPEB</u> <u>Obligation</u> |
|---|------------------------------------|-----------------------------------|--|--------------------------------------|
| | 9/30/15 | \$ 4,326,235 | 16.8% | \$ 25,967,410 |
| | 9/30/16 | \$ 2,092,561 | 21.6% | \$ 31,208,690 |
| | 9/30/17 | \$ 2,141,753 | 23.6% | \$ 32,846,047 |

* Information presented is inclusive for the local government of Cameron County.

Funded Status and Funding Progress: The following table shows the schedules of Funding Progress required under GASB45:

Unfunded 4.0% Discount Rate as of 10/1/13, Discount Rate of 3% as of 10/1/15

| <u>Actuarial</u> <u>Valuation</u> <u>Date</u> | <u>Actuarial</u> <u>Value of</u> <u>Assets</u> | <u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL)</u> | <u>Unfunded</u> <u>Actuarial</u> <u>Accrued Liability</u> <u>(UAAL)</u> | <u>Funded</u> <u>Ratio</u> | <u>Covered</u> <u>Payroll</u> | <u>UAAL as a</u> <u>% of Covered</u> <u>Payroll</u> |
|---|--|--|--|-------------------------------|----------------------------------|---|
| 10/1/14 | \$ 0 | \$20,309,475 | \$20,309,475 | 0.0% | \$53,554,133 | 38% |
| 10/1/15 | \$ 0 | \$19,889,957 | \$19,889,957 | 0.0% | \$64,721,103 | 31% |
| 10/1/16 | \$ 0 | \$19,889,957 | \$19,889,957 | 0.0% | \$64,721,103 | 31% |

Information presented is inclusive for the local government of Cameron County.

CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

Note 10 – Other Post Employment Benefits (continued)

Cameron County's actuarial study was completed as of 10/1/15. The actuarial cost method used for determining the benefit obligations is the Projected Unit Credit Cost Method. Under this methodology, the actuarial present value of projected benefits is the value of benefits expected to be paid for current employees and retirees and is calculated based on the assumptions and census data included in this actuarial study. The Actuarial Accrued Liability (AAL) is the actuarial present value of benefits attributed to employee service rendered prior to the valuation date. The present value of benefits multiplied by a fraction equal to service to date over service at expected retirement is the AAL. The Normal Cost is the actuarial present value of benefits attributed to one year of service. This equals the present value of benefits divided by service at expected retirement. It is presumed that retirees are not accruing anymore service, therefore their normal cost is zero. In determining the Annual Required Contribution (ARC), the Unfunded AAL is calculated as a level dollar over the remaining amortization years on a fresh-start basis as of the subsequent valuation. This method is easy to understand and widely used for the valuation of post employment benefits other than pensions and the benefits were allocated by a consistent formula over the years. The County's annual estimated OPEB cost and the estimated net OPEB obligation for the prior 2 years was based on a 4.0% discount rate, for current year a 3% discount rate, and amortizing the initial unfunded actuarial liability over a closed 30 year amortization base. Information presented in Note 9 is inclusive for the local government of Cameron County. Financial disclosure as presented for International Toll Bridge Financial Statements is limited to recognition for this enterprise fund.

Additional Disclosures

Texas Local Government Code, Chapter 175 requires counties make available continued health benefits coverage to retirees and their dependents beyond the end of an individual's employment with County. Texas Law does not require counties to fund all or any portion of such coverage. Effective October 1, 2007, Cameron County discontinued medical coverage after age 65. The County may incur a debt obligation to pay for OPEB for its retired employees so long as the County follows the constitutional requirement that it have sufficient taxing authority available at the time such debt is incurred to provide the payment of the debt and has levied a tax for such purpose. Cameron County has not incurred a legal debt obligation for OPEB nor has it levied a tax for the same. Currently, the County funds costs associated with OPEB on a current "pay as you go" basis for each single year through annual appropriations authorized by Commissioners Court during the annual County Budget Adoption Process.

GASB 45 was implemented during fiscal year 2008. Information and amounts presented in the County's Comprehensive Annual Financial Report relative to OPEB expense/expenditures, related liabilities (assets), note disclosures, and supplementary information are only intended to achieve compliance with the requirements of generally accepted accounting principles (GASB 45) and does not constitute or imply that the County has made a commitment or is legally obligated to provide OPEB benefits.

CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2017

Note 11 – Interfund Receivables and Payables

The Cameron County International Toll Bridge System operates three international toll bridges: 1) Veteran’s International Toll Bridge at Los Tomates (V.I.T.B), 2) Free Trade Bridge at Los Indios (Free Trade); and 3) Gateway International Toll Bridge (Gateway). Each bridge has an operating fund which funds the long-term debt as well as the debt reserve requirements.

Intra-system transfers are reflected in the individual bridge statements; however, the intra-system transfers and loans are not reflected in the System-wide statements provided on pages 1 through 4 in this report.

| Interfund Fund | Interfund Receivable | Interfund Payable |
|---------------------------|-------------------------|----------------------|
| Veterans Operating Bridge | \$ - | \$ 406,477 |
| Free Trade Bridge | 234,817 | - |
| Gateway Bridge | 171,660 | - |
| | <u>\$ 406,477</u> | <u>\$ 406,477</u> |



**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

To the Honorable County Judge and
Commissioners' Court
Cameron County, Texas

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Brownsville, Texas

March 28, 2018

CAMERON COUNTY, TEXAS
INTERNATIONAL TOLL BRIDGE SYSTEM
SCHEDULE OF INSURANCE COVERAGE
SEPTEMBER 30, 2017

| INSURER | COVERAGE | AMOUNT OF COVERAGE | LATEST POLICY EXPIRATION DATE | ASSETS COVERED | PREMIUM | DEDUCTIBLE |
|---|---|------------------------------|-------------------------------|---|---------|---|
| Zurich American Insurance Company | Gateway Bridge property damage | \$ 15,000,000 | 7/1/2018 | Bridge physical damage | 18,574 | \$25,000 all covered losses incl. covered property, surveillance equipment and earthquake, \$100,000 Flood, \$250,000 named storm |
| Zurich American Insurance Company | Gateway Bridge use and occupancy coverage | 6,686,000 | 7/1/2017 | Lost business income | 8,002 | 7 Day waiting period |
| | Maximum per occurrence by earthquake, flood, storm | 61,389,110 | | | | Aggregate annually in any one occurrence |
| Zurich American Insurance Company | Free Trade Bridge property damage | \$ 15,000,000 | 7/1/2018 | Bridge physical damage | 18,574 | \$25,000 all covered losses incl. covered property, surveillance equipment and earthquake, \$100,000 Flood, \$250,000 named storm |
| Zurich American Insurance Company | Free Trade Bridge use and occupancy | 1,757,810 | 7/1/2017 | Lost business income | 8,002 | 7 Day waiting period |
| | Maximum per occurrence by earthquake, flood, storm | 61,389,110 | | | | Aggregate annually in any one occurrence |
| Zurich American Insurance Company | Veterans Int. Bridge property damage | \$ 15,000,000 | 7/1/2017 | Bridge physical damage | 18,574 | \$25,000 all covered losses incl. covered property, surveillance equipment and earthquake, \$100,000 Flood, \$250,000 named storm |
| Zurich American Insurance Company | Veterans Int. Bridge use and occupancy | 7,944,700 | 7/1/2017 | Lost business income | 8,002 | 7 Day waiting period |
| | Maximum per occurrence by earthquake, flood, storm | 61,389,110 | | | | Aggregate annually in any one occurrence |
| Massachusetts Bay Insurance Company | | | | | 7,721 | 7,500 per loss |
| | | 500,000 | 7/1/2018 | Public Employee Theft | | 5,000 |
| | | 250,000 | 7/1/2018 | Forgery or Alteration | | 1,500 |
| | | 150,000 | 7/1/2018 | Inside Premises Security/Money Theft | | 1,500 |
| | | 150,000 | 7/1/2018 | Outside Premises | | 5,000 |
| | | 500,000 | 7/1/2018 | Money Orders/Counterfeit Curr | | 7,500 |
| | | 500,000 | 7/1/2018 | Fund Transfer | | |
| Hiscox, Hanover Group, Continental Casualty | Buildings, Ext Coverage, Malicious Mischief/Flood | \$82,027 | 7/1/2018 | Building | 1,698 | 10,000 each occurrence combined for all- repair/replacement cost as listed above |
| Hiscox, Hanover Group, Continental Casualty | Buildings, Ext Coverage, Malicious Mischief/Flood | 53,608 | 7/1/2018 | Contents | | as listed above |
| Hiscox, Hanover Group, Continental Casualty | Buildings, Ext Coverage, Malicious Mischief/Flood | 119,000 | 7/1/2018 | EDP | | as listed above |
| Hiscox, Hanover Group, Continental Casualty | Buildings, Ext Coverage, Malicious Mischief/Flood | 1,725,002 | 7/1/2018 | Building | 4,592 | 10,000 each occurrence combined for all- repair/replacement cost as listed above |
| Hiscox, Hanover Group, Continental Casualty | Buildings, Ext Coverage, Malicious Mischief/Flood | 45,784 | 7/1/2018 | Contents | | as listed above |
| Hiscox, Hanover Group, Continental Casualty | Buildings, Ext Coverage, Malicious Mischief/Flood | 270,000 | 7/1/2018 | EDP | | as listed above |
| Hiscox, Hanover Group, Continental Casualty | Buildings, Ext Coverage, Malicious Mischief/Flood | 539,500 | 7/1/2018 | Building | 1,481 | 10,000 each occurrence combined for all- repair/replacement cost as listed above |
| Hiscox, Hanover Group, Continental Casualty | Buildings, Ext Coverage, Malicious Mischief/Flood | 25,000 | 7/1/2018 | Contents | | as listed above |
| Hiscox, Hanover Group, Continental Casualty | Buildings, Ext Coverage, Malicious Mischief/Flood | 94,000 | 7/1/2018 | EDP | | as listed above |
| Texas Association of Counties | Automobile Liability - International Toll Bridge System | 100,000/300,000 | 7/1/2018 | Bodily Injury per person/per occurrence | 3,573 | |
| | | 100,000 | | Property Damage | | 1,000 |
| TAC | Automobile physical damage | Cash value or cost of repair | 7/1/2017 | Vehicles | | 1,000 |
| Texas Association of Counties | General Liability | 100,000/300,000 | 7/1/2017 | Bodily Injury per person/per occurrence | | Deductible \$5,000 |
| | | 100,000/100,000 | | Property damage per occurrence/aggregate | | Deductible \$5,000 |
| | | 50,000 | | Garage Keepers Liability | | Deductible \$1,000 |
| | | 100,000/100,000 | | Employee Benefits Liability | | Deductible \$1,000 |
| | | 100,000/300,000 | | Person & Advertising Injury Liability/Aggregate | | Deductible \$5,000 |
| | | 5,000 | | Medical payment per person | | |
| Texas Association of Counties | Workers Compensation - self insured | 1,000,000 | 1/1/2018 | Death by accident per accident | 299,421 | \$100,000/\$1,000,000 |
| | | 1,000,000 | | Death by disease each Claimant | | \$100,000/\$1,000,000 |
| | | 2,000,000 | | Aggregate per coverage period | | \$100,000/\$1,000,000 |



CAMERON COUNTY, TEXAS
International Toll Bridge system
GATEWAY INTERNATIONAL TOLL BRIDGE
STATEMENT OF NET POSITION
Year Ended September 30, 2017

ASSETS

CURRENT ASSETS

| | |
|----------------------------|------------------|
| Cash and cash equivalents | \$ 5,896,379 |
| Accounts Receivable | 123,085 |
| Prepaid expenses | 19,173 |
| Due from other funds | 171,660 |
| Due from other Governments | <u>3,105,358</u> |
| TOTAL CURRENT ASSETS | <u>9,315,655</u> |

RESTRICTED ASSETS

| | |
|--------------------------------------|----------------|
| Revenue Bond Debt Service Fund: | |
| Cash & cash equivalents | 394,402 |
| Revenue Bond Operating Reserve Fund: | |
| Cash & cash equivalents | 441,916 |
| Capital Improvements Fund: | |
| Cash & Cash Equivalents | <u>15,016</u> |
| TOTAL RESTRICTED ASSETS | <u>851,334</u> |

CAPITAL ASSETS

| | |
|------------------------------------|--------------------|
| Depreciable Assets: | |
| Toll bridges and approaches | 4,084,438 |
| Toll booths and equipment | 1,392,000 |
| Administration building | 437,137 |
| Furniture, fixtures, and equipment | 24,972 |
| Vehicles | <u>67,097</u> |
| | 6,005,644 |
| Less: accumulated depreciation | <u>(4,170,045)</u> |
| Net depreciable assets | 1,835,599 |
| Land | 2,549,290 |
| Construction in Process | <u>2,352,369</u> |
| TOTAL CAPITAL ASSETS | <u>6,737,258</u> |

DEFERRED OUTFLOW OF RESOURCES

| | |
|---|----------------|
| Differences between projected and actual earnings | <u>412,997</u> |
| TOTAL DEFERRED OUTFLOW OF RESOURCES | <u>412,997</u> |

| | |
|--------------|----------------------|
| TOTAL ASSETS | <u>\$ 17,317,244</u> |
|--------------|----------------------|

CAMERON COUNTY, TEXAS
International Toll Bridge system
GATEWAY INTERNATIONAL TOLL BRIDGE
STATEMENT OF NET POSITION
Year Ended September 30, 2017

LIABILITIES

LIABILITIES

Current Liabilities (payable from Current Assets):

| | |
|---|----------------|
| Accounts payable | \$ 171,285 |
| Wages and fringe benefits payable | 41,154 |
| Accrued Uncompensated Absences | 6,479 |
| Retainage Payable | 8,744 |
| Due to Other Governments | - |
| Due to Other Funds | - |
| Total Current Liabilities (payable from Current Assets) | <u>227,662</u> |

Current Liabilities (payable from Restricted Assets):

| | |
|--|----------------|
| Deposits | 14,750 |
| Current maturities of Certificates of Obligation | 223,258 |
| Total Current Liabilities (payable from Restricted Assets) | <u>238,008</u> |

Long-Term Liabilities:

| | |
|--|------------------|
| Revenue Bonds Payable (net of current portion) | |
| Certificates of Obligation | 2,889,380 |
| Less: Unamortized discount | 20,865 |
| Unfunded Actuarial Accrued Liability | 640,588 |
| Pension Liability | 455,513 |
| Total Long-Term Liabilities | <u>4,006,346</u> |

DEFERRED INFLOW OF RESOURCES

| | |
|---|---------------|
| Difference between expected and actual earnings | 80,326 |
| TOTAL DEFERRED INFLOW OF RESOURCES | <u>80,326</u> |

| | |
|-------------------|------------------|
| TOTAL LIABILITIES | <u>4,552,342</u> |
|-------------------|------------------|

NET POSITION

| | |
|----------------------------------|----------------------|
| Net investment in capital assets | 3,660,501 |
| Restricted For: | |
| Capital Improvements | 15,016 |
| Revenue Bond Debt Service | 394,402 |
| Revenue Bond Debt Reserve | 441,916 |
| Revenue Bond Operating Reserve | 250,000 |
| Unrestricted | <u>8,003,067</u> |
| TOTAL NET POSITION | <u>\$ 12,764,902</u> |

The notes to the financial statements are an integral part of this statement.

CAMERON COUNTY, TEXAS
International Toll Bridge system
GATEWAY INTERNATIONAL TOLL BRIDGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended September 30, 2017

| | |
|---|----------------------|
| <u>OPERATING REVENUES</u> | |
| Tolls | \$ 7,119,741 |
| Rental income | 200,000 |
| Miscellaneous | |
| TOTAL OPERATING REVENUES | <u>7,319,741</u> |
| <u>OPERATING EXPENSES</u> | |
| Salaries | 903,022 |
| Employee benefits | 395,261 |
| Supplies | 26,022 |
| Uniforms | 15,005 |
| Audit and legal | 6,647 |
| Other Pension Costs | 152,072 |
| Other Professional Service | 12,270 |
| Repairs and maintenance | 12,503 |
| Travel | 2,000 |
| Utilities | 27,703 |
| Advertising | - |
| Insurance | 36,810 |
| Contractual | 4,841 |
| Depreciation | 145,522 |
| Other | 7,462 |
| TOTAL OPERATING EXPENSES | <u>1,747,140</u> |
| OPERATING INCOME (LOSS) | <u>5,572,601</u> |
| <u>NON-OPERATING REVENUES (EXPENSES)</u> | |
| Interest on investments and receivables | 43,505 |
| Interest and fiscal fees on revenue bonds | <u>(147,369)</u> |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | <u>(103,864)</u> |
| INCOME BEFORE TRANSFERS | 5,468,737 |
| Transfer Out | (57,383) |
| Transfer Out General Fund | (4,836,715) |
| Transfer Out I&S Fund | <u>(249,568)</u> |
| CHANGE IN NET POSITION | 325,071 |
| Net Position - beginning | 12,326,037 |
| Prior Period Adjustment | <u>113,794</u> |
| Net Position - ending | <u>\$ 12,764,902</u> |

The notes to the financial statements are an integral part of this statement.

CAMERON COUNTY, TEXAS
International Toll Bridge System
FREE TRADE BRIDGE AT LOS INDIOS
STATEMENT OF NET POSITION
Year Ended September 30, 2017

ASSETS

CURRENT ASSETS

| | |
|-------------------------|----------------|
| Cash & cash equivalents | \$ 435,031 |
| Accounts Receivable | - |
| Due from other funds | 234,817 |
| Prepaid expenses | 18,005 |
| TOTAL CURRENT ASSETS | <u>687,853</u> |

RESTRICTED ASSETS

| | |
|---------------------------------|----------------|
| Revenue Bond Debt Service Fund: | |
| Cash & Cash Equivalents | 230,243 |
| Revenue Bond Debt Reserve Fund: | |
| Cash & Cash Equivalents | 283,235 |
| Capital Improvements Fund: | |
| Cash & Cash Equivalents | 107 |
| TOTAL RESTRICTED ASSETS | <u>513,585</u> |

CAPITAL ASSETS

| | |
|------------------------------------|------------------|
| Depreciable Assets: | |
| Toll bridges and approaches | 6,048,838 |
| Toll booths and equipment | 726,400 |
| Administration building | 596,748 |
| Furniture, fixtures, and equipment | 13,511 |
| Vehicles | 70,127 |
| | <u>7,455,624</u> |
| Less: accumulated depreciation | (6,661,950) |
| Net depreciable assets | <u>793,674</u> |
| Land | 910,775 |
| Construction in Progress | <u>599,180</u> |
| TOTAL CAPITAL ASSETS | <u>2,303,629</u> |

DEFERRED OUTFLOW OF RESOURCES

| | |
|---|----------------|
| Differences between projected and actual earnings | 234,404 |
| TOTAL DEFERRED OUTFLOW OF RESOURCES | <u>234,404</u> |

| | |
|--------------|---------------------|
| TOTAL ASSETS | <u>\$ 3,739,471</u> |
|--------------|---------------------|

CAMERON COUNTY, TEXAS
International Toll Bridge System
FREE TRADE BRIDGE AT LOS INDIOS
STATEMENT OF NET POSITION
Year Ended September 30, 2017

LIABILITIES

LIABILITIES

| | |
|--|--------------------|
| Current Liabilities (payable from current assets) | |
| Accounts payable | \$ 302,026 |
| Wages and fringe benefits payable | 24,536 |
| Accrued Uncompensated Absences | 1,820 |
| Retainage Payable | 15,147 |
| Deposits | - |
| Due to other Governments | 1,718,294 |
| Due to other funds | - |
| Total Current Liabilities (payable from Current Assets) | <u>2,061,823</u> |
| Current Liabilities (payable from Restricted Assets): | |
| Deposits | 2,067 |
| Current Maturities of Certificate of Obligation | <u>37,737</u> |
| Total Current Liabilities (payable from Restricted Assets) | <u>39,804</u> |
| Long-Term Liabilities: | |
| Certificates of Obligation | 286,715 |
| Unfunded Actuarial Accrued Liability | 326,470 |
| Pension Liability | <u>258,534</u> |
| Total Long-Term Liabilities | <u>871,719</u> |
| DEFERRED INFLOW OF RESOURCES | |
| Differences between expected and actual experience | <u>45,590</u> |
| TOTAL DEFERRED INFLOW OF RESOURCES | <u>45,590</u> |
| TOTAL LIABILITIES | <u>3,018,936</u> |
| <u>NET POSITION</u> | |
| Net investment in capital assets | 1,979,284 |
| Restricted For: | |
| Capital Improvements | 107 |
| Restricted for Revenue Bond Debt Service | 230,243 |
| Restricted for Revenue Bond Debt Reserve | 283,235 |
| Unrestricted | <u>(1,772,334)</u> |
| TOTAL NET POSITION | <u>\$ 720,535</u> |

The notes to the financial statements are an integral part of this statement.

CAMERON COUNTY, TEXAS
International Toll Bridge System
FREE TRADE BRIDGE AT LOS INDIOS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended September 30, 2017

| | |
|---|-------------------|
| <u>OPERATING REVENUES</u> | |
| Tolls | \$ 2,444,247 |
| Rental Income | 43,200 |
| Gain on Sale of Property | - |
| TOTAL OPERATING REVENUES | <u>2,487,447</u> |
| <u>OPERATING EXPENSES</u> | |
| Salaries | 514,467 |
| Employee benefits | 218,294 |
| Supplies | 17,354 |
| Uniforms | 6,467 |
| Audit and legal | 6,647 |
| Other Pension Costs | 84,560 |
| Other Professional Service | 1,250 |
| Advertising | 899 |
| Repairs and maintenance | 17,734 |
| Travel and Training | 821 |
| Utilities | 42,929 |
| Insurance | 24,689 |
| Contractual | 9,775 |
| Depreciation | 135,235 |
| Other | 19,601 |
| TOTAL OPERATING EXPENSES | <u>1,100,722</u> |
| OPERATING INCOME (LOSS) | <u>1,386,725</u> |
| <u>NON-OPERATING REVENUES (EXPENSES)</u> | |
| Intergovernmental agreement-Hgn. & San Benito | (837,794) |
| Interest on investments and receivables | 6,968 |
| Interest on revenue bonds & fiscal fees | (44,659) |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | <u>(875,485)</u> |
| INCOME BEFORE TRANSFERS | <u>511,240</u> |
| Transfer Out General Fund | (837,794) |
| Transfer Out I&S Fund | (71,545) |
| Transfer In Operating | 283,191 |
| CHANGE IN NET POSITION | <u>(114,908)</u> |
| Net Position - beginning | 770,857 |
| Prior Period Adjustment | 64,586 |
| Net Position - ending | <u>\$ 720,535</u> |

The notes to the financial statements are an integral part of this statement.

CAMERON COUNTY, TEXAS
International Toll Bridge System
VETERANS INTERNATIONAL TOLL BRIDGE
STATEMENT OF NET POSITION
Year Ended September 30, 2017

ASSETS

CURRENT ASSETS

| | |
|----------------------------|--------------|
| Cash and cash equivalents | \$ 1,152,452 |
| Accounts Receivable | 4,000 |
| Prepaid Expenses | 23,981 |
| Due from other funds | - |
| Due from other Governments | - |

| | |
|----------------------|-----------|
| TOTAL CURRENT ASSETS | 1,180,433 |
|----------------------|-----------|

RESTRICTED ASSETS

| | |
|---------------------------------|-----------|
| Revenue Bond Debt Service Fund: | |
| Cash and cash equivalents | 946,873 |
| Revenue Bond Debt Reserve Fund: | |
| Cash and cash equivalents | 1,329,937 |
| Capital Improvements Fund: | |
| Cash and cash equivalents | 2,482,380 |

| | |
|-------------------------|-----------|
| TOTAL RESTRICTED ASSETS | 4,759,190 |
|-------------------------|-----------|

CAPITAL ASSETS

| | |
|--|--------------|
| Depreciable Assets: | |
| Toll bridges and approaches, and toll booths | 25,117,547 |
| Administration building | 2,696,179 |
| Furniture, fixtures, and equipment | 1,173,534 |
| Vehicles | 273,886 |
| | 29,261,146 |
| Less: accumulated depreciation | (14,440,450) |
| Net depreciable assets | 14,820,696 |
| Land | 577,403 |
| Construction in Progress | 200,572 |

| | |
|----------------------|------------|
| TOTAL CAPITAL ASSETS | 15,598,671 |
|----------------------|------------|

DEFERRED OUTFLOW OF RESOURCES

| | |
|---|---------|
| Differences between projected and actual earnings | 468,809 |
| TOTAL DEFERRED OUTFLOW OF RESOURCES | 468,809 |

| | |
|--------------|---------------|
| TOTAL ASSETS | \$ 22,007,103 |
|--------------|---------------|

CAMERON COUNTY, TEXAS
International Toll Bridge System
VETERANS INTERNATIONAL TOLL BRIDGE
STATEMENT OF NET POSITION
Year Ended September 30, 2017

LIABILITIES

LIABILITIES

Current Liabilities (payable from Current Assets):

| | |
|---|------------------|
| Accounts payable | \$ 195,718 |
| Wages & Fringes Payable | 65,214 |
| Retainage Payable | 9,109 |
| Accrued Uncompensated Absences | 29,230 |
| Deposits | 202,519 |
| Due to Other governments | 590,604 |
| Due to Other Funds | 406,477 |
| Total Current Liabilities (payable from Current Assets) | <u>1,498,871</u> |

Current Liabilities (payable from Restricted Assets):

| | |
|--|-----------|
| Reserve | 75,688 |
| Current Maturities of Revenue & CO Bonds | 1,584,830 |
| Accrued bond interest payable | <u>-</u> |

Total Current Liabilities (payable from Restricted Assets) 1,660,518

Long-Term Liabilities:

| | |
|--|------------------|
| Revenue Bonds Payable (net of current portion) | 615,000 |
| Certificates of Obligation | 6,098,356 |
| Less: Unamortized discount and issue costs | 28,689 |
| Unfunded Actuarial Accrued Liability | 781,693 |
| Pension Liability | 517,069 |
| Total Long-Term Liabilities | <u>8,040,807</u> |

DEFERRED INFLOW OF RESOURCES

| | |
|--|---------------|
| Differences between expected and actual experience | 91,181 |
| TOTAL DEFERRED INFLOW OF RESOURCES | <u>91,181</u> |

TOTAL LIABILITIES 11,291,377

NET POSITION

| | |
|----------------------------------|----------------------|
| Net investment in capital assets | 9,811,554 |
| Restricted For: | |
| Capital Improvements | 2,482,380 |
| Revenue Bond Debt Service | 946,873 |
| Revenue Bond Debt Reserve | 1,329,937 |
| Unrestricted | <u>(3,855,018)</u> |
| TOTAL NET POSITION | <u>\$ 10,715,726</u> |

The notes to the financial statements are an integral part of this statement.

International Toll Bridge System
VETERANS INTERNATIONAL TOLL BRIDGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended September 30, 2017

| | |
|---|---------------------------------|
| <u>OPERATING REVENUES</u> | |
| Tolls | \$ 9,581,765 |
| Rental Income | 187,000 |
| Miscellaneous | 740 |
| TOTAL OPERATING REVENUES | <u>9,769,505</u> |
| <u>OPERATING EXPENSES</u> | |
| Salaries | 1,296,707 |
| Employee benefits | 531,875 |
| Supplies | 58,181 |
| Uniforms | 13,534 |
| Audit and legal | 6,647 |
| Other Pension Costs | 180,163 |
| Other professional services | 13,169 |
| Repairs and maintenance | 35,266 |
| Travel and Training | 12,968 |
| Utilities | 39,712 |
| Advertising | 4,145 |
| Insurance | 46,475 |
| Contractual | 5,163 |
| Depreciation | 1,213,371 |
| Other | 28,873 |
| TOTAL OPERATING EXPENSES | <u>3,486,249</u> |
| OPERATING INCOME (LOSS) | <u>6,283,256</u> |
| <u>NON-OPERATING REVENUES (EXPENSES)</u> | |
| Intergovernmental agreement-City of Brownsville | (2,552,857) |
| Grant and Program Revenue | - |
| Interest on investments and receivables | 37,241 |
| Interest on revenue bonds & fiscal fees | (396,341) |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | <u>(2,911,957)</u> |
| INCOME BEFORE TRANSFERS | <u>3,371,299</u> |
| Transfer Out General Fund | (2,733,486) |
| Transfer Out I&S Fund | (256,324) |
| Transfer (Operating) | (225,808) |
| CHANGE IN NET POSITION | <u>155,681</u> |
| Net Position - beginning | 10,430,875 |
| Prior Period Adjustment | 129,170 |
| Net Position - ending | <u>\$ 10,715,726</u> |

The notes to the financial statements are an integral part of this statement.



Cameron County, Texas
International Toll Bridge System
Schedule of Combined Debt Service Requirements

| <u>DUE</u> | <u>Principal February/November</u> | <u>Interest February/November</u> | <u>Interest August/November</u> | <u>Fiscal Year Requirements</u> |
|------------|--|---------------------------------------|-------------------------------------|-------------------------------------|
| 2018 | 1,845,825 | 264,717 | 224,772 | 2,335,314 |
| 2019 | 1,279,336 | 224,772 | 195,058 | 1,699,166 |
| 2020 | 696,000 | 195,058 | 179,267 | 1,070,325 |
| 2021 | 760,273 | 179,267 | 161,371 | 1,100,911 |
| 2022 | 799,082 | 161,371 | 141,393 | 1,101,846 |
| 2023 | 839,799 | 141,393 | 120,399 | 1,101,591 |
| 2024 | 880,276 | 120,399 | 99,669 | 1,100,344 |
| 2025 | 922,418 | 99,669 | 77,938 | 1,100,025 |
| 2026 | 938,144 | 77,938 | 54,485 | 1,070,567 |
| 2027 | 979,814 | 54,485 | 37,964 | 1,072,263 |
| 2028 | 787,525 | 37,965 | 23,091 | 848,581 |
| 2029 | 320,340 | 23,091 | 15,884 | 359,315 |
| 2030 | 335,595 | 15,884 | 8,333 | 359,812 |
| 2031 | 350,849 | 8,333 | - | 359,182 |
| TOTAL | <u>\$ 11,735,276</u> | <u>\$ 1,604,342</u> | <u>\$ 1,339,624</u> | <u>\$ 14,679,242</u> |

Cameron County, Texas
\$7,950,000 International Toll Bridge System
Revenue Bonds, Series 1998

1/54 at 4.60%; 55/110 at 4.60%; 111/169 at 4.60%; 170/231 at 4.60%; 232/295 at 4.60%;
296/362 at 4.60%; 363/433 at 4.60%; 434/507 at 4.60%; 508/584 at 4.60%; 585/665 at 4.60%;
666/750 at 4.60%; 751/839 at 4.60%; 840/932 at 4.60%; 933/1029 at 4.60%; 1030/1131 at 4.60%;
1132/1238 at 4.60%; 1239/1350 at 4.60%; 1351/1467 at 4.60%; and 1468/1590 at 4.60%

Payable at NationsBank, N.A., Houston, Texas

| <u>DUE</u> | <u>Principal November 1</u> | <u>Interest November 1</u> | <u>Interest May 1</u> | <u>Fiscal Year Requirements</u> |
|------------|---------------------------------|--------------------------------|-----------------------------|-------------------------------------|
| 2018 | 585,000 | 27,600 | 14,145 | 626,745 |
| 2019 | <u>615,000</u> | <u>14,145</u> | <u> </u> | <u>629,145</u> |
| TOTAL | <u>\$ 1,200,000</u> | <u>\$ 41,745</u> | <u>\$ 14,145</u> | <u>\$ 1,255,890</u> |

MBIA Insured, S&P "AAA"

Private Placement to Nationsbank, N.A.

Dated August 1, 1998 Delivery September 10, 1998

Cameron County, Texas
\$4,005,000 International Toll Bridge System
Revenue Refunding Bonds, Series 2007

| <u>DUE</u> | <u>Principal November 1</u> | <u>Interest November 1</u> | <u>Interest May 1</u> | <u>Fiscal Year Requirements</u> |
|--------------|---------------------------------|--------------------------------|---------------------------|-------------------------------------|
| 2018 | 475,000 | 8,930 | - | 483,930 |
| <u>TOTAL</u> | <u>\$ 475,000</u> | <u>\$ 8,930</u> | <u>\$ -</u> | <u>\$ 483,930</u> |

| <u>PRINCIPAL FEBRUARY 15</u> | <u>INTEREST FEBRUARY 15</u> | <u>INTEREST AUGUST 15</u> | <u>FISCAL YEAR REQUIREMENTS</u> |
|----------------------------------|---------------------------------|-------------------------------|---|
| 439,713 | 11,644 | - | 451,357 |
| | | | - |
| | | | - |
| | | | - |
| | | | - |
| | | | - |
| | | | - |
| | | | - |
| | | | - |
| | | | - |
| <u>\$ 439,713</u> | <u>\$ 11,644</u> | <u>\$ -</u> | <u>\$ 451,357</u> |

\$4,494,300 Certificates of Obligation, Series 2011

| | <u>PRINCIPAL FEBRUARY 15</u> | <u>INTEREST FEBRUARY 15</u> | <u>INTEREST AUGUST 15</u> | <u>FISCAL YEAR REQUIREMENTS</u> |
|-------|----------------------------------|---------------------------------|-------------------------------|---|
| 2018 | 201,166 | 81,644 | 78,626 | 361,436 |
| 2019 | 207,840 | 78,626 | 74,470 | 360,936 |
| 2020 | 214,514 | 74,470 | 70,716 | 359,700 |
| 2021 | 222,141 | 70,716 | 66,273 | 359,130 |
| 2022 | 232,628 | 66,273 | 60,457 | 359,358 |
| 2023 | 245,022 | 60,457 | 54,332 | 359,811 |
| 2024 | 255,510 | 54,332 | 49,221 | 359,063 |
| 2025 | 265,997 | 49,221 | 43,901 | 359,119 |
| 2026 | 278,391 | 43,901 | 36,942 | 359,234 |
| 2027 | 291,739 | 36,942 | 30,742 | 359,423 |
| 2028 | 306,040 | 30,742 | 23,091 | 359,873 |
| 2029 | 320,340 | 23,091 | 15,884 | 359,315 |
| 2030 | 335,595 | 15,884 | 8,333 | 359,812 |
| 2031 | 350,849 | 8,333 | - | 359,182 |
| TOTAL | <u>\$ 3,727,772</u> | <u>\$ 694,632</u> | <u>\$ 612,988</u> | <u>\$ 5,035,392</u> |

Cameron County, Texas
\$6,031,072 Limited Tax Refunding Bonds, Series 2015

| | <u>PRINCIPAL FEBRUARY 15</u> | <u>INTEREST FEBRUARY 15</u> | <u>INTEREST AUGUST 15</u> | <u>FISCAL YEAR REQUIREMENTS</u> |
|-------|----------------------------------|---------------------------------|-------------------------------|---|
| 2018 | 144,946 | 134,899 | 132,001 | 411,846 |
| 2019 | 456,496 | 132,001 | 120,588 | 709,085 |
| 2020 | 481,486 | 120,588 | 108,551 | 710,625 |
| 2021 | 538,132 | 108,551 | 95,098 | 741,781 |
| 2022 | 566,454 | 95,098 | 80,936 | 742,488 |
| 2023 | 594,777 | 80,936 | 66,067 | 741,780 |
| 2024 | 624,766 | 66,067 | 50,448 | 741,281 |
| 2025 | 656,421 | 50,448 | 34,037 | 740,906 |
| 2026 | 659,753 | 34,037 | 17,543 | 711,333 |
| 2027 | 688,075 | 17,543 | 7,222 | 712,840 |
| 2028 | 481,485 | 7,223 | | 488,708 |
| TOTAL | <u>\$ 5,892,791</u> | <u>\$ 847,391</u> | <u>\$ 712,491</u> | <u>\$ 7,452,673</u> |

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable County Judge and
Commissioners' Court
Cameron County, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the International Toll Bridge System of Cameron County, Texas, as of and for the year ended September 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated March 28, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the International Toll Bridge System of Cameron County, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the International Toll Bridge System's internal control. Accordingly, we do not express an opinion on the effectiveness of the International Toll Bridge System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

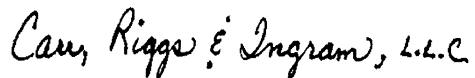
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the International Toll Bridge System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Carr, Riggs & Ingram, L.L.C." in a cursive script.

CARR, RIGGS & INGRAM, LLC

Brownsville, Texas

March 28, 2018